

Total Compensation Report

Presentation to the Retirement & Independent Entities Interim Committee

State of Utah

September 7, 2017

Contents

| | | |
|---|------------------------------------|----|
| 1 | INTRODUCTION | 3 |
| 2 | PROJECT PROCESS | 4 |
| 3 | PROJECT METHODOLOGY | 5 |
| 4 | SALARY RESULTS SUMMARY | 7 |
| 5 | BENEFITS RESULTS SUMMARY | 9 |
| 6 | TOTAL COMPENSATION RESULTS SUMMARY | 13 |



Introduction

In 2017, the State of Utah (the “State”) requested an update of the total compensation market survey and analysis last conducted in 2013. This updated total compensation analysis will enable the State to do the following:

- Compare the State’s total compensation mix with the target markets relative to both cost and value;
- Monitor the impact of changes to the State’s compensation and benefits programs on market competitiveness; and
- Identify what changes/trends target markets have undertaken in the last five years in terms of salary increases/decreases and benefits changes



Project Process

Korn Ferry Hay Group and the State took the following steps:

- Planning and scoping meeting to outline project roles and responsibilities
- Mutual agreement on the benchmark positions, the constituency of the comparator markets, including custom survey and published survey sources, and data to be collected
- Collecting current State of Utah salary and benefits data
- Design and distribution of customized salary survey instrument
- Extensive follow-up with identified participants to optimize participation
- Analysis of salary and benefits data relative to market data
- Analysis of overall outcomes
- Presentation of findings



Project Methodology

The following survey sources were used (consistent with the 2013 analysis) to compare the State's 150 benchmark positions to the market:

- **Western Management Group**
 - 94 Salt Lake area organizations
- **Compdata Survey of Healthcare Organizations, West Region**
 - Approximately 70 healthcare organizations in Utah
- **ERI Information Technology and eCommerce Survey, South Central Region**
 - 822 organizations in a variety of industries
- **Wasatch Area Compensation Survey**
 - 83 Utah area counties, cities, school and fire districts
- **Custom Survey ***
 - 38 public and private sector organizations, representing over 50,000 employees, largely Salt Lake area
- **NCASG State Government Survey ****
 - 15 comparator states (AZ, CO, ID, KS, MT, ND, NE, NM, NV, OK, OR, SD, TX, WA, WY)
- **Korn Ferry Hay Group All Organizations database, Utah participants ***
 - 241 organizations with employees in Utah

All salary data are effective or projected to July 1, 2017, using a 2.8% annual rate for private sector sources and a 2.5% annual rate for public sector sources



Project Methodology (continued)

Consistent with the salary survey sources, the following two comparator groups were used for the benefits analysis:

- Korn Ferry Hay Group's State Market Peer Group – Select states plans (15) from our 2017 database that also participate in the NCASG survey
- Korn Ferry Hay Group's Utah Market Peer Group – Organizations (125) contained in our 2017 benefits database with operations in the state of Utah, including those that responded to the custom survey

Korn Ferry Hay Group utilized its proprietary actuarial valuation methodology to evaluate benefit plans in terms of the cash equivalence of the benefits

- The valuation model places a relative value on each specific feature of a benefit program. The value for each plan is then compiled to produce an overall program value appropriate for market comparison. In general, the more generous a particular feature is, the higher the relative value.

DHRM Annual Survey Results vs. KFHG Total Compensation Results

- Each year DHRM conducts salary surveys of the State's benchmark positions and utilizes the published sources listed on the previous slide to effectively manage the State's salary program and address specific agency or job issues
- The total compensation study is comprehensive in scope, focused broadly on the competitiveness of the State's salaries and benefits and is intended to give the State an understanding of its aggregate market position
- Because the DHRM salary surveys and the total compensation study have different focuses, we would expect to see some differences in the results at the specific job level



Salary Results Summary

Below is the summary comparison of the State's base salary market competitiveness in 2013 vs. 2017

- Certain jobs/job families have improved their competitive position in the market, while some jobs have moved further behind. But on average, we see that the State's market position for cash compared to the overall market is at the same level as in 2013.

| Cash Area | Utah Benchmarks vs. Utah Market Median | | Utah Benchmarks vs. States Market Median | | Utah Benchmarks vs. Overall Market Median | |
|----------------------|--|--------|--|-------|---|-------|
| | 2013 | 2017 | 2013 | 2017 | 2013 | 2017 |
| Actual Base Salaries | -11.2% | -10.9% | -4.8% | -7.5% | -9.2% | -9.3% |

- State of Utah's base salary midpoints in 2013 were on aggregate 5.2% below the market median. Current base salary midpoints are 5.3% below market median
- State of Utah's compa-ratio (actual pay to range midpoints) in 2013 for the benchmark positions included in the study was 97.0%. State of Utah's current compa-ratio for similar benchmarks is 97.5%.

Note: DHRM provides its own salary comparisons with a smaller benchmark grouping sample, which may show different salary data market positions.



Salary Results Summary

By Occupational Group – based on benchmarks

- Average pay for all Occupational Groups falls behind market, on average (sorted by furthest below market)
- The market position is similar to the 2013 study

| Occupational Group | 2017 market | | 2013 market | |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | State of UT Pay vs Mkt P50 | State of UT MP vs Mkt P50 | State of UT Pay vs Mkt P50 | State of UT MP vs Mkt P50 |
| Food, Laundry and Custodial Services | -14% | -7% | -12% | -9% |
| Mechanical, Construction, Trades, Warehouse | -10% | -13% | -10% | -10% |
| Human Services | -8% | -10% | -9% | -8% |
| Administrative, Fiscal, Office & Data Processing | -8% | -8% | -7% | -3% |
| Public Health and Related | -8% | -6% | -12% | -9% |
| Regulatory, Legal and Corrections | -5% | -4% | -3% | -3% |
| Engineering | -4% | -6% | -5% | -4% |
| Education and Information | -3% | -4% | -6% | 0% |
| Natural Resources and Recreation | 1% | 3% | -7% | -2% |

The red highlights indicate market positioning has moved down and green highlights indicate market positioning has improved since 2013.



Benefits Results Summary

Below is the summary comparison of the State's benefits market competitiveness in 2013 vs. 2017

- The State's current overall competitive market position for benefits is consistent with the 2013 market position; changes in the States market (decreases) and no changes to Utah's programs have resulted in slight increases in Utah's market position

| Benefit Area | State of Utah vs. Utah Market Peer Group | | State of Utah vs. States Market Peer Group | |
|----------------|---|-------|---|-----------|
| | 2013 | 2017 | 2013 | 2017 |
| Total Benefits | P75 | P75 | P75 | > P75 |
| Retirement | > P75 | > P75 | P75 | > P75 |
| Healthcare | P75 | > P75 | P50 | P50 - P75 |
| Disability | > P75 | > P75 | > P75 | > P75 |
| Death | < P25 | < P25 | P25 – P50 | > P50 |
| Other | < P25 | < P25 | P50 | P50 |



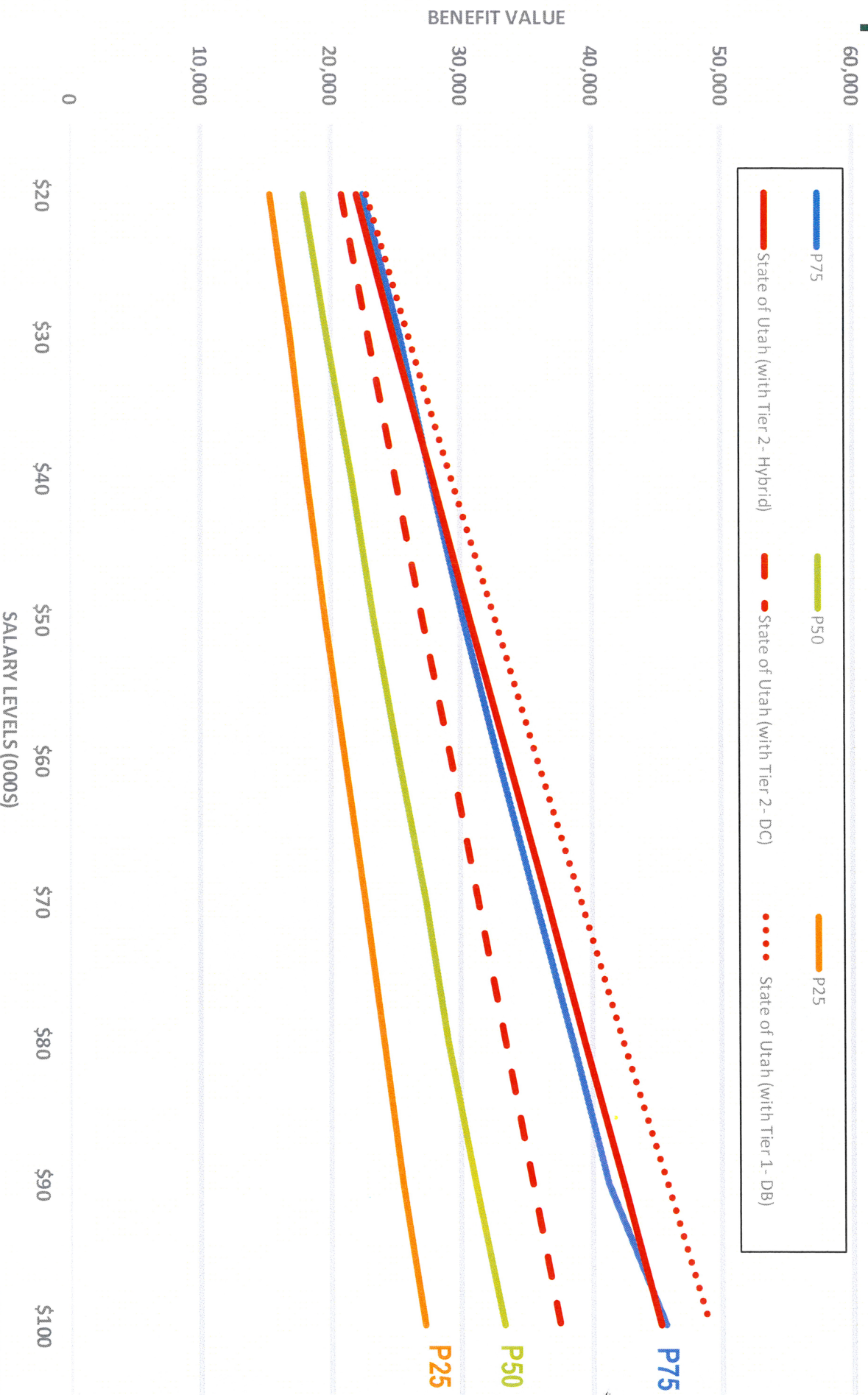
Benefits Results Summary

CHANGES TO STATE OF UTAH BENEFITS PROGRAM FROM 2013 STUDY

| Benefit Area | 2013 Benefit | 2017 Benefit |
|--|---|---|
| Health Care – Out of Pocket Maximum | \$2,500 Individual \$7,500 Family | \$3,000 Individual \$9,000 Family |
| Health Care – Deductible | \$250 Individual \$500 Family | \$350 Individual \$700 Family |
| Health Care / Dental Premiums | Employees pay 10% of premium for medical and 5% for dental | Employees pay 8.2% of premium for medical and 10% for dental |



State of Utah vs. Market (Utah) - Total Benefits



State of Utah vs. Market (State) - Total Benefits



Total Compensation Results Summary

Below is the summary comparison of the State's market competitiveness for all components of pay in 2013 vs. 2017

| Pay Component | Utah vs. Utah Market Median | | Utah vs. States Market Median | |
|--------------------|--------------------------------|--------------|----------------------------------|--------------|
| | 2013 | 2017 | 2013 | 2017 |
| Salary | -11.2% | -10.9% | -4.8% | -7.5% |
| Benefits | <u>21.4%</u> | <u>25.0%</u> | <u>20.2%</u> | <u>17.6%</u> |
| Total Remuneration | -1.0% | 0.4% | 3.1% | 1.0% |

- Utah Market – The State improved slightly in both pay and benefits relative to the Utah market
- States Market – The State salary market position decreased relative to other states, resulting in a slight decrease on benefits, as well.
- While overall market position did not change drastically, there continues to be jobs and agencies where market competitiveness is below the aggregate State position. A one size fits all approach to managing the compensation program will not be effective in addressing all the State's attraction and retention issues in these areas



Total Compensation Results Summary

- Only those components of pay provided by the State are included in total compensation
- It is common in the private sector to pay annual incentives, which if included would make the State less competitive relative to the Korn Ferry Hay Group Markets
- The table below provides general market median annual incentive percentages at various salary levels:

| Salary Level | Market Median Target Incentive % |
|--------------|----------------------------------|
| \$160,000 | 20% |
| \$125,000 | 17% |
| \$100,000 | 10% |
| \$75,000 | 10% |
| \$60,000 | 8% |
| \$50,000 | 7% |
| \$45,000 | 5% |
| \$40,000 | 5% |
| \$30,000 | 5% |

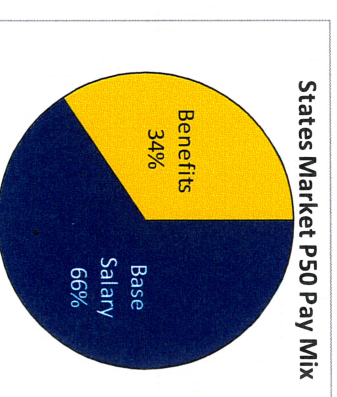
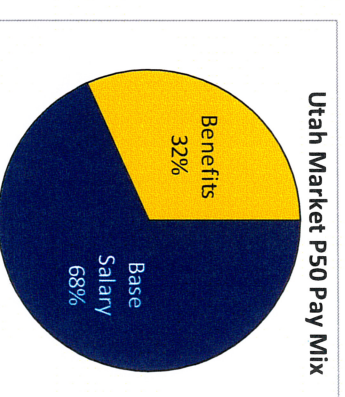
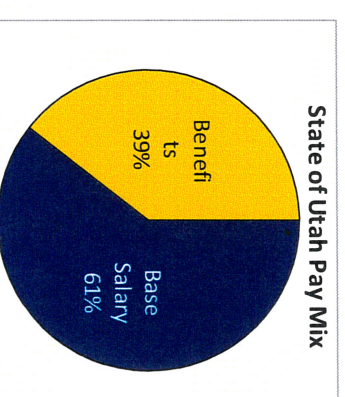
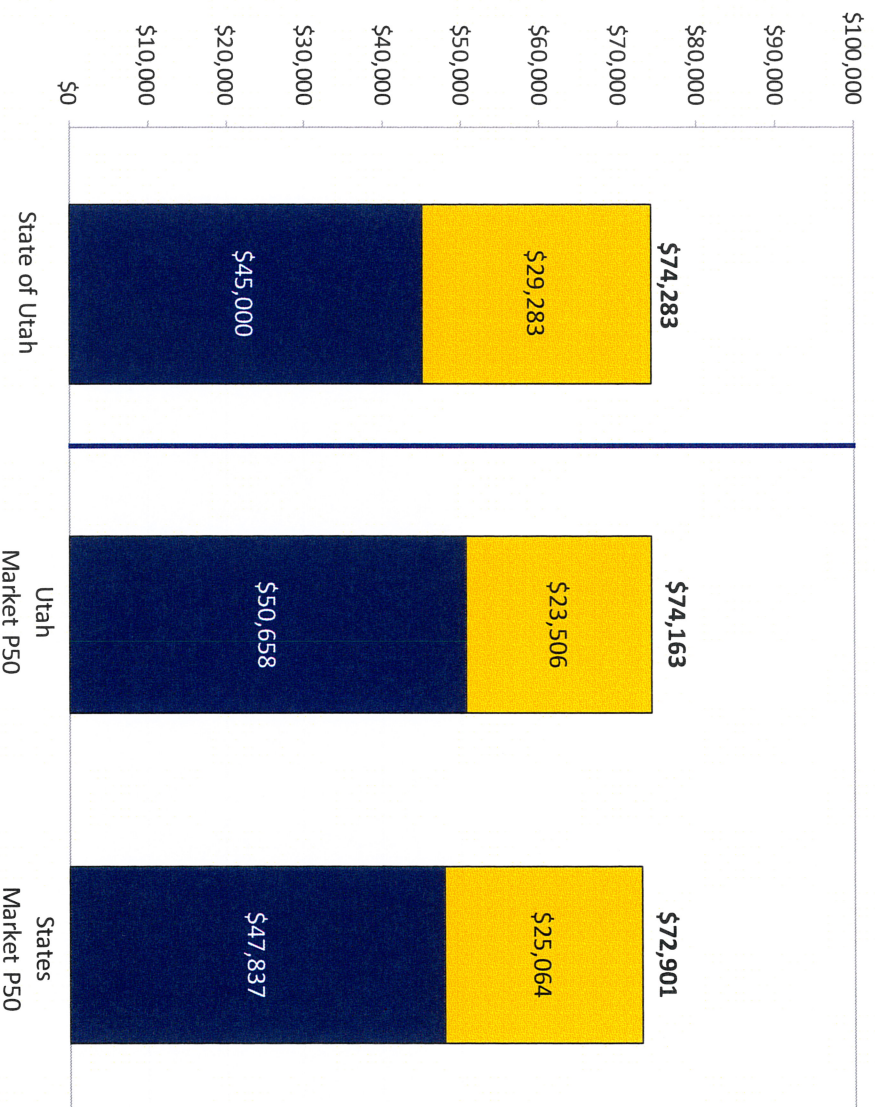
Notes:

- The charts on the following pages illustrate the total compensation level and mix for State of Utah employees relative to the Utah and States market median
- Also included are benefits mix charts that show the differences between the State's benefits elements and the two markets that are driving the State's total compensation market position
- There is no value attributable to the State's PRM, as the State has discontinued the practice of providing any subsidy for PRM for new hires
- Holiday and vacation are not valued in either the market or State of Utah, a result of a methodology change since the 2011 study
- "Statutory" refers to federal programs – Medicare and Social Security



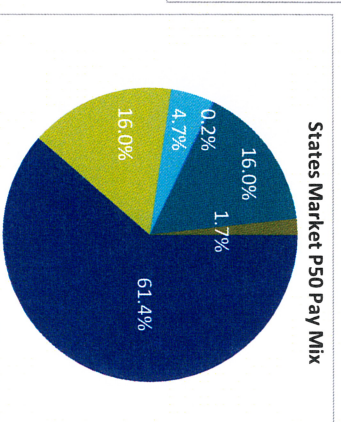
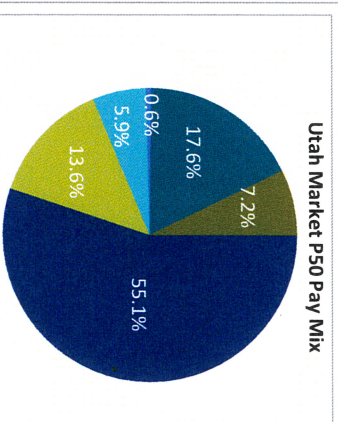
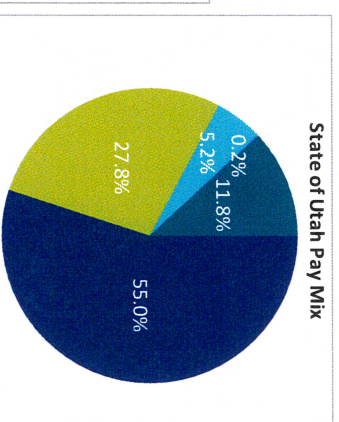
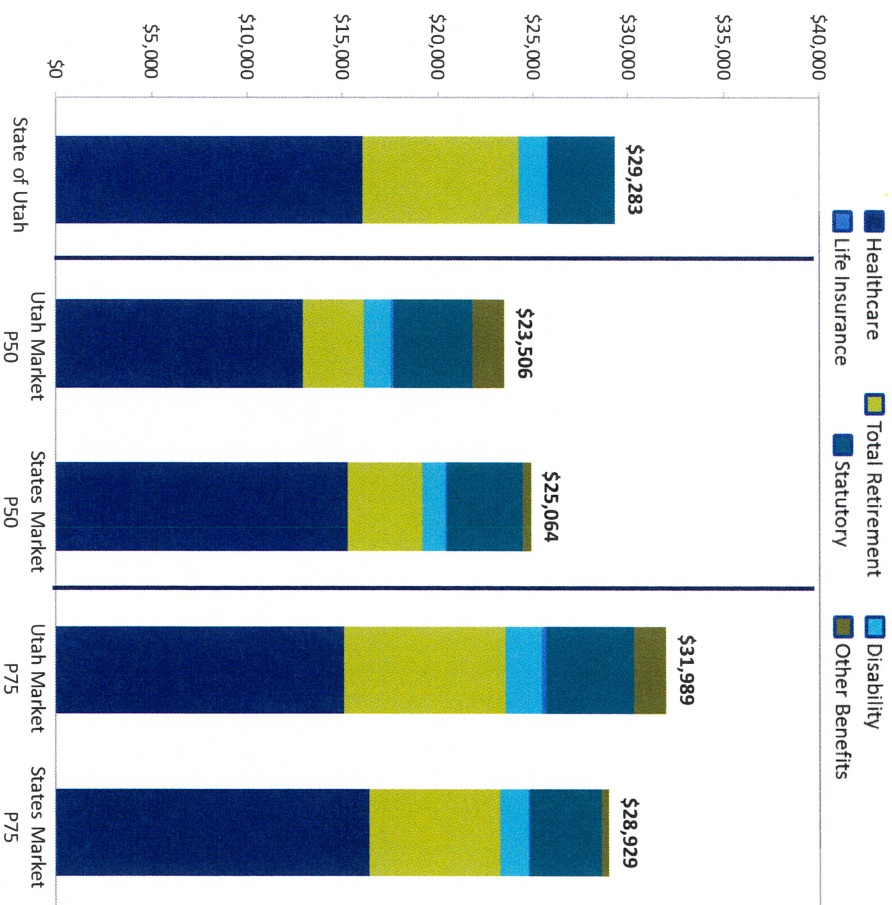
Total Compensation Results Summary

The chart compares the State's total compensation market competitiveness for an employee earning \$45,000 annually



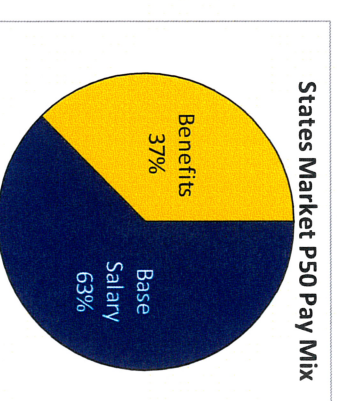
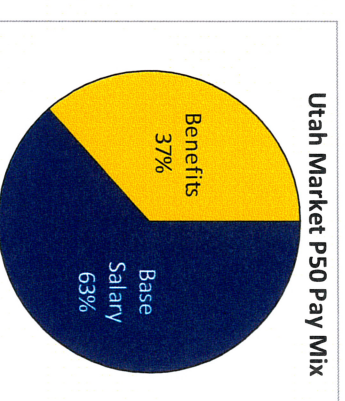
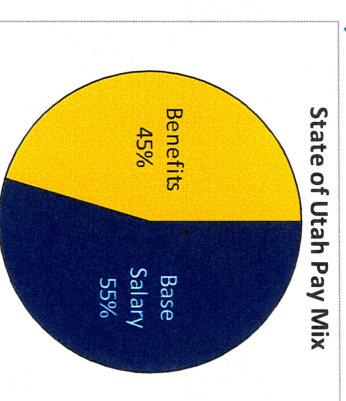
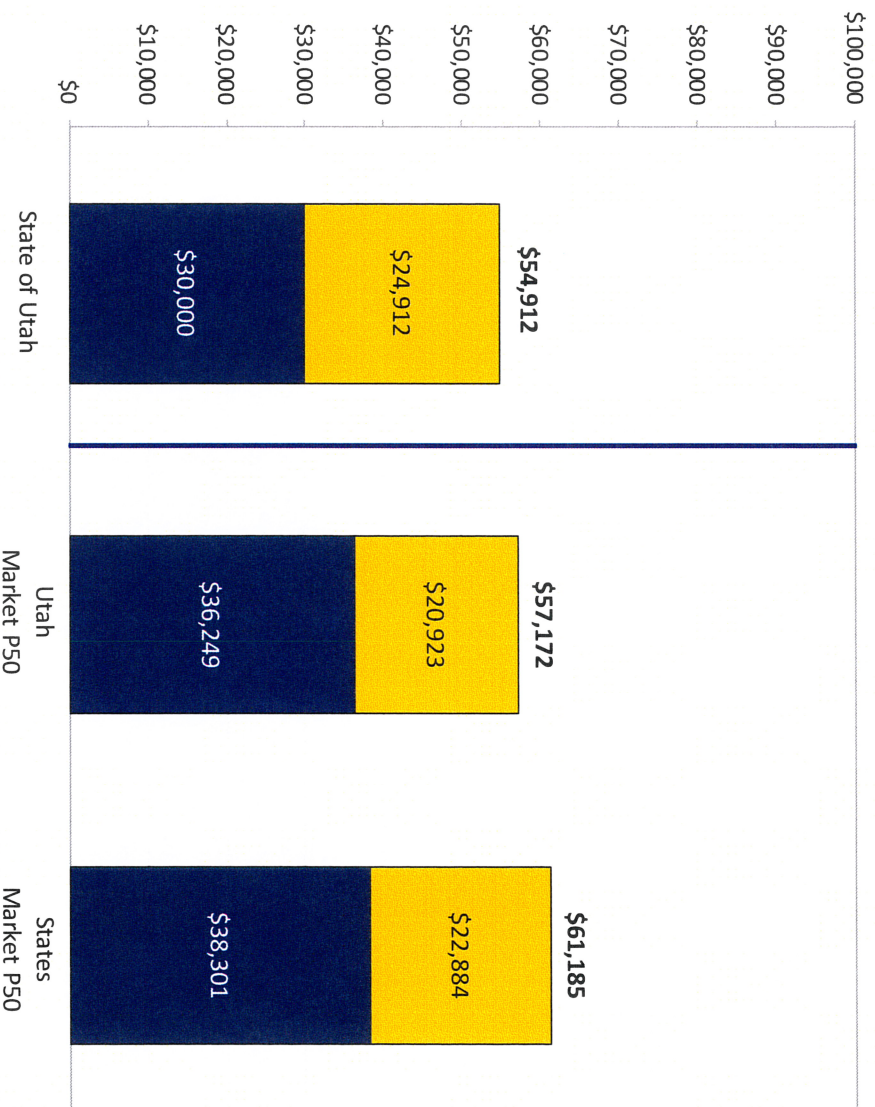
Total Compensation Results Summary

The comparison chart breaks down the benefits by component for both the State and the markets at the \$45,000 salary level



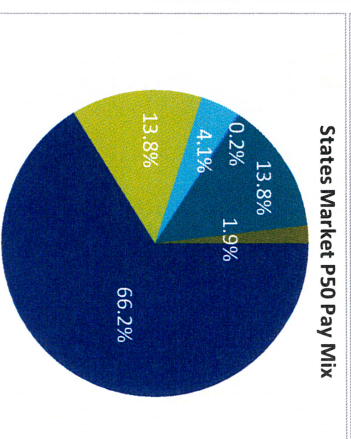
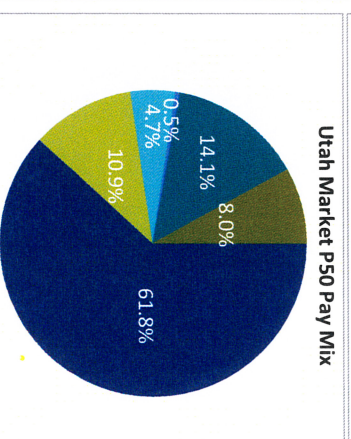
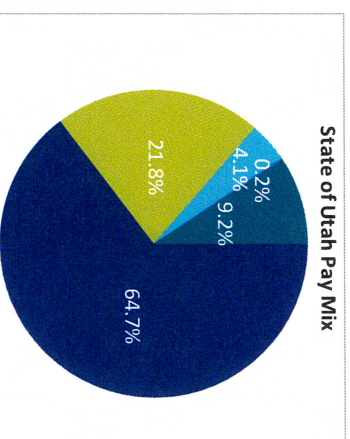
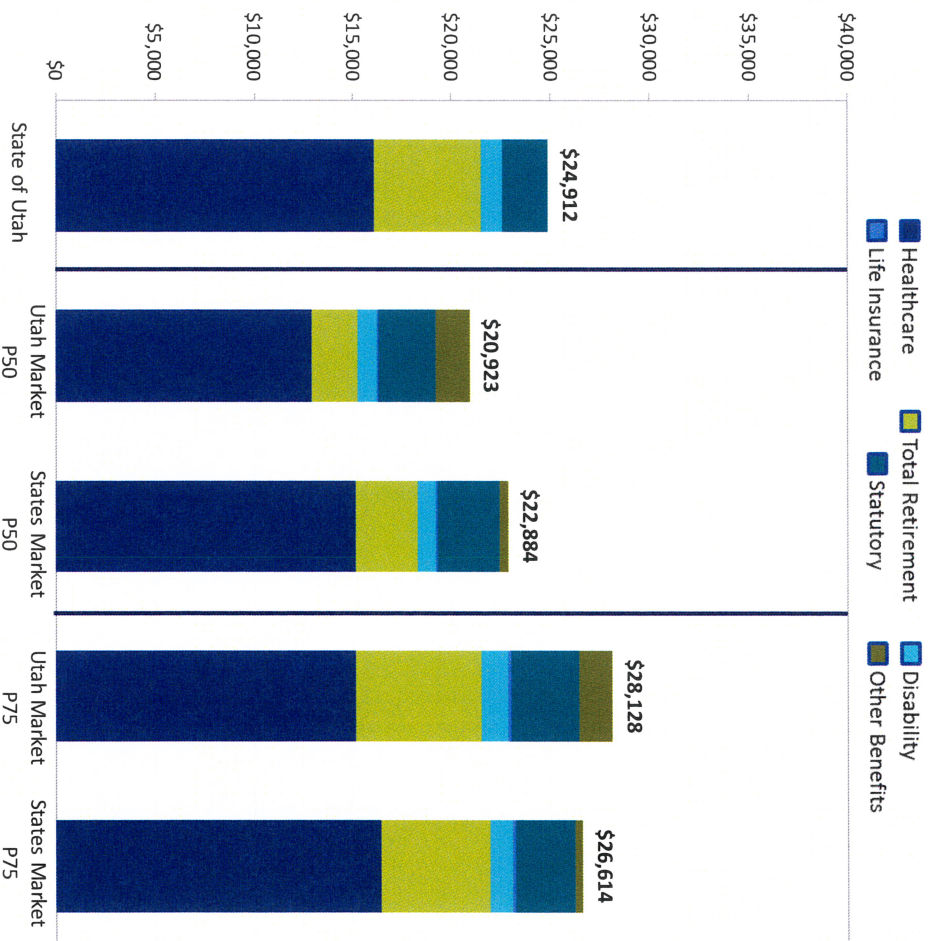
Total Compensation Results Summary

STATE OF UTAH VS. UTAH AND STATES MARKETS - \$30,000 SALARY



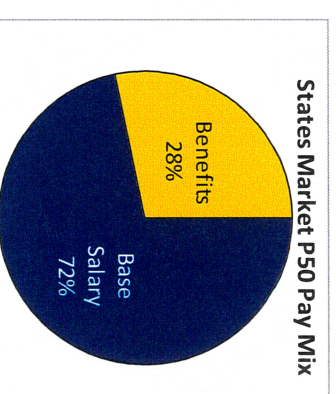
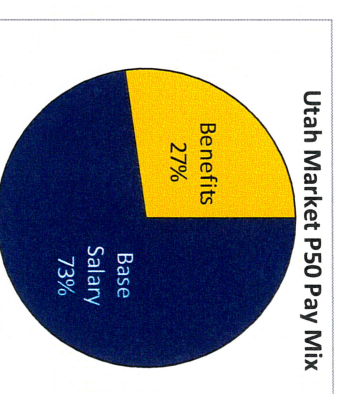
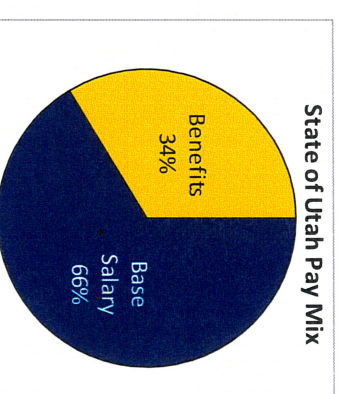
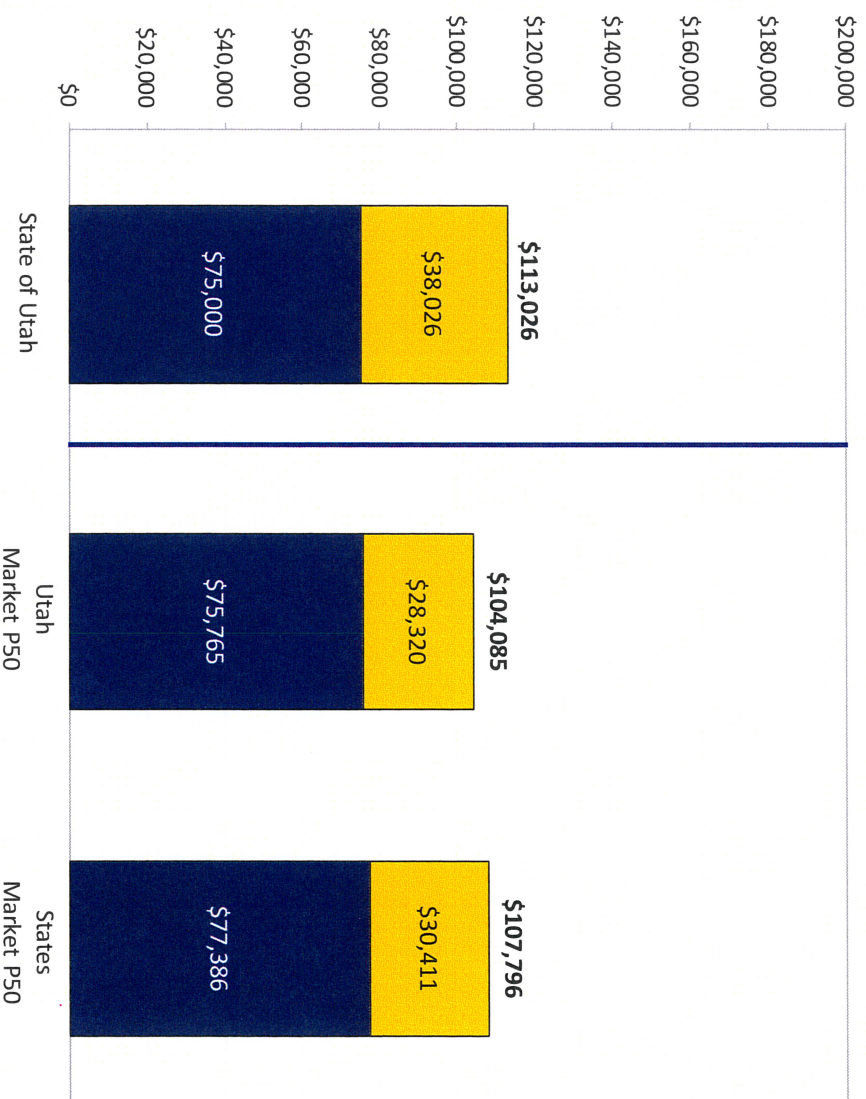
Total Compensation Results Summary

STATE OF UTAH VS. UTAH AND STATES MARKETS - \$30,000 SALARY



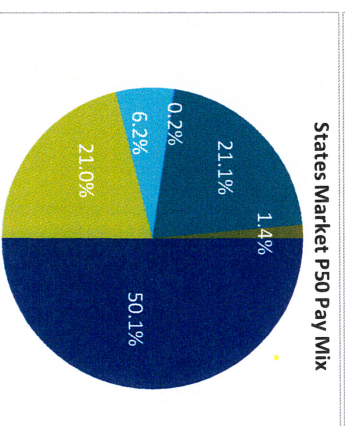
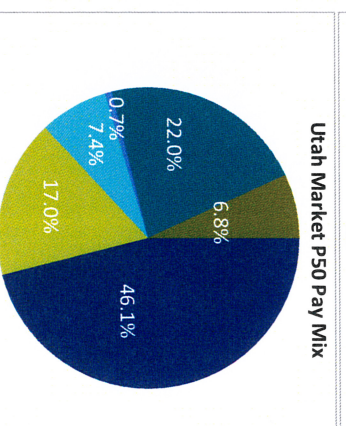
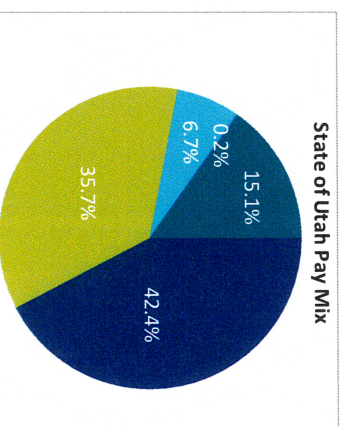
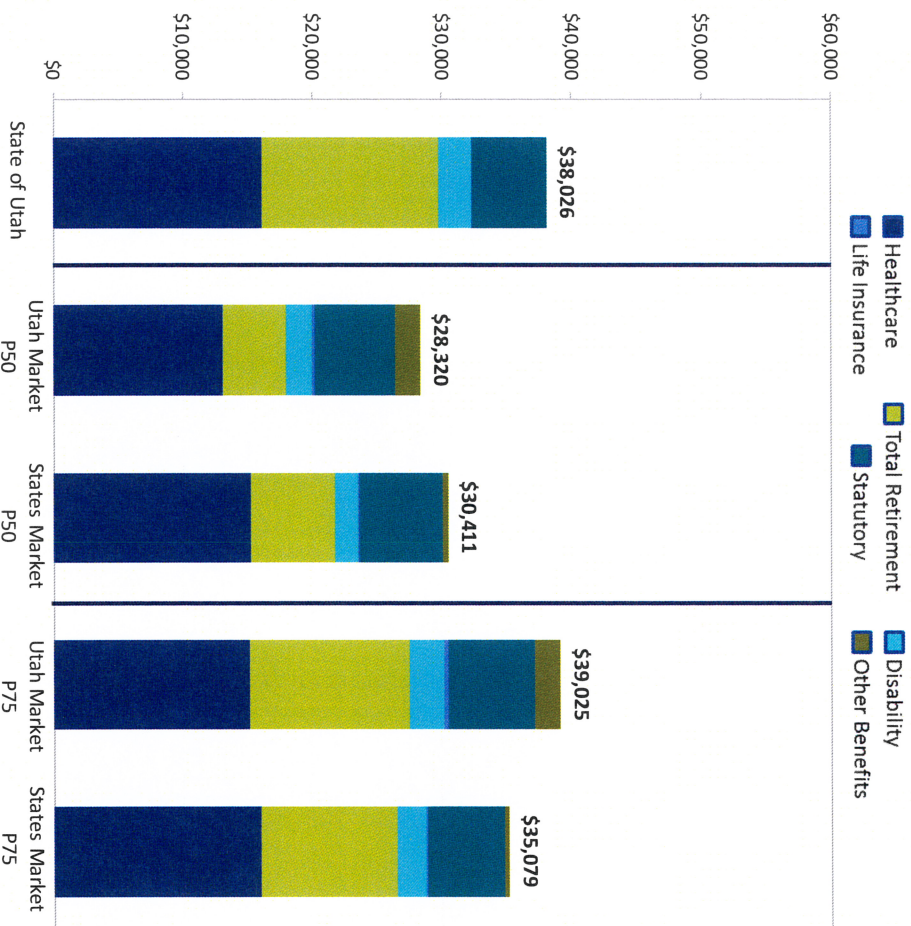
Total Compensation Results Summary

STATE OF UTAH VS. UTAH AND STATES MARKETS - \$75,000 SALARY



Total Compensation Results Summary

STATE OF UTAH VS. UTAH AND STATES MARKETS - \$75,000 SALARY



Thank you

Malinda Riley
Senior Principal

Lisa Bailey
Senior Consultant

JP Purdy
Senior Consultant

